

## AN ANALYSIS OF THE FINANCIAL AND OPERATIONAL PERFORMANCE OF PACCS: IN FARMERS PERSPECTIVES

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### ABSTRACT

Agricultural credit is a very important and basic input for the farmers to conducting all agricultural activities. In India, there is an immense need for agriculture credit, since the Indian farmers are poor. The farmers are largely depends on money lenders as their financial source in the early days. After the Independence, the Government of India felt that the problems faced by the farmers and oppression made by the money lenders on the farmers in obtaining finance, they have adopted a multi-agency Institutional credit to farmers through cooperatives, commercial and Regional Rural Banks at cheaper rate of interest. Among the institutional credit structure, the cooperative banks have played a key role in providing agriculture credit and other support services to farmers at the village level. Presently, the cooperative societies covered cent percent villages in India. According to the World Bank report, the PACCS is contributing 30 percent agriculture credit in the total credit flow to the farmers. But in the ground reality, the benefits of the micro credit and relevant supports provided by the PACCS to the farmers are not satisfied level. The problem of obtaining credit, repayment of loan, inefficient functioning of PACCS is still continuing and endless one. In this context, this paper attempts to analyse the problem faced by the farmers in borrowing, repayment of loan, credit gap and operational performance of PACCS in the farmers perspective.

**KEYWORDS:** PACCS, Problems in borrowing and repayment, opinion of the farmers towards Financial and other supports, operational performance of PACCS. Credit gap, Credit limit

In India, more than 70% of the rural people depend on agriculture directly and indirectly. To strengthen the agricultural growth, agriculture credit plays a pivotal role. The agriculture policies reviewed and implemented by the Government periodically, to provide adequate and timely availability of finance to this sector. But, the rural credit systems have its own limitation, it is unable to fulfill the needs of the farmers. In India a multi-agency approach is adopted in comprising cooperative banks, regional rural bank and other commercial banks have been pumping credit to this sectors, but, still the farmers unable to get rid from the finance crises to do agriculture activities. Among these bank, the rural credit cooperatives are playing a major role in supporting to farmers by providing finance and other support services. Despite of the growth in flow of rural credit to agriculture, still the farmers problems remains unsolved in the area of loan repayment, credit gap between loan requirement and credit limit of PACCS and credit flows maximum to big farmers than small farmers, inadequate finance, unmatchable norms etc. To solve these issues, the cooperative Institutions are required a visionary leadership and professional management to restore the faith of cooperative institution.

### STATEMENT OF THE PROBLEM

No sector in the economy can develop without the availability of timely and adequate finance. Agriculture is no exception to this. Since, our agriculture

is exposed to low returns and uncertainties due to its more reliance on nature. At most of the farmers are poor, it has become more imperative for them to borrow. It is difficult for our farmers to manage agricultural operations without borrowed finance. Normally the farmers are based on institutional and non-institutional sources of finance. In India, about 40% of the farmers depends on non-institutional finance and remaining 60% of the farmers are depends on institutional finance, in which more than 36% of the farmers are covered by the PACCS in disbursement of loan. Many studies has been revealed that, the extend of agriculture credit in India is very much inadequate and the private non-institutional sources still remain very important in supplying credit to farmers. Due to unsatisfactory overdues in institutional credit, particularly cooperative institutions, it is not able to advances more credit for meeting the growing needs of farmers. Even though, it has been covered 99.5% of villages are covered by PACCS, but is operational efficiency is not upto the markable level. In this situation, the PACCS are not able to provide the requirements of the farmers due to various constraints in the PACCS. In this context, this paper attempts to analyse the problem faced by the farmers in borrowing, repayment of loan, credit gap and operational performance of PACCS in the farmers perspective.

### Objectives of the Study

1. To measure the extent of credit gap between credits requirements of the farmers and PACCS loan limit.

2. To identify the problems of borrowers in repayment of loan.
3. To study the opinion of farmers towards financial and other assistance provided by the PACCS.

### Scope of the Study

This study is undertaken to examine the problem faced by the farmers in availing finance from PACCS. In order to increase the flow of funds for agriculture in India, Multi-Agency Approach has been adopted. Many credit institutions namely co-operative banks, commercial banks and Regional. Rural Banks are involved in financing the farm business. Since cooperative banks are the oldest and the most predominant and accepted credit institutions in India, they have chosen for the study. As the primary co-operative banks are the base level financing agency operating at the village level, and are involved in the provision of large scale, short and medium term loan to agriculturists, they are predominately considered in this study. The structure and flow of loan from PACCS to the farmers and their hurdles in getting loan from PACCS are examined with the help of the variables identified. The study also aims to identify the relationship between the various types of farmers in respect of utilization of loan facilities and the credit gap, problem in repayment of loan, operational performance of PACCS and farmers opinion towards PACCS.

### Methodology Used In This Study

#### Profile of the Area of Study

Thottiyam is a panchayat town in Tiruchirappalli district in the Indian state of Tamil Nadu. It is situated 60 Km north west of Tiruchirappalli on Tiruchy-Namakal state Highway. It is located near Kaveri River. As on 2001 India census, Thottiyam had a population of 135120. In which males constitute (67266) 50% and females constitute (67854) 50%. It has on average literacy rate of 73%, which is higher than the national average of 59.5%. The male literacy is 81% and female literacy is 66%. The main occupation is agriculture and the main crops are paddy, plantains, petals. Thottiyam is a block under panchayat system since 1960. It was attached with the Musiri Taluk upto 2008, afterwards it become a taluk. It has 29 villages in Thottiyam Taluk, there are 15 banks, in which major banks are Lakshmi Vilas bank, Indian overseas bank, Agricultural cooperative bank, State bank of India and Canara bank. They are caters agriculture and non-agriculture loans to the people among these banks the PACCS are major player in the Thottiyam Taluk.

For the proper provision of agricultural credit is necessary to know the environmental dimensions of the area of study. Factors like population, land holdings, land utilization, cropping pattern, and its intensity, inputs and implements, infrastructural facilities etc., are the deciding factors of loan intake of the farmers. Lending institutions are also to consider these factors with utmost care since these factors influence the decision regarding farm loans. In this context profile of the area of study assumes importance.

#### Reasons for Selection of Particular Area

The study was taken up in the Thottiyam Taluk of Tiruchirappalli district, in the state of Tamil Nadu. Thottiyam Taluk was purposively selected on account of the following factors.

The Thottiyam Taluk is more agriculture oriented area Industrialization is yet to be taken up. More than 80% of the people are engaged in agriculture, hence, the researcher desired to examine the financial Assistance provided by the PACCS in the farmers perspective. Further, the familiarity with the conditions of the Taluk was another reason for the purposive selection.

#### Sources of Data

This study is based on both primary and secondary data. The primary data were collected from a sample of 500 farmers who have involved with PACCS to obtain financial assistance. The data were collected by using structured questionnaire through personal Interview method. The secondary data were collected from Directorate of Economics and statistics, Department of cooperative, PACCS, journals, books and websites.

#### Period of study

The study covers a period of five years (2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2016-2017).

#### Sampling Procedure

The study is confined to the Thottiyam Taluk, which is mainly agriculture based and selected purposively. By scouting the area and establishing a rapport with the Taluk officials, the general economic background of the Taluk was understood. It was found that in the Taluk, there is one branch of Trichy District Central co-operative bank, 13 primary agricultural credit co-operative societies, one branch of Canara Bank, 2 branch of Indian Overseas Bank, 2 State bank of India and other private banks. The cooperative and Government banks are the lead bank in the Taluk.

For the purpose of the study, 500 farmers consisting of small, marginal and big farmers were selected by using random sampling method. These 500 farmers are associated with the PACCS for availing various benefits. The sample selection is based on block wise in the taluk.

**Tools for Analysis**

For purpose of Analysis the following tools were used in this study.

- Percentage Analysis
- Principal Component Analysis
- T- TEST, Z- TEST

➤ Factor Analysis

**ANALYSIS AND DISCUSSION**

**Principal Component Analysis (PCA)**

The principal component analysis is a method of extracting important variables (in form of components) from large set of variable in a data set. Here, there are eight variables (reasons) are identified as major reasons for non-repayment of loan regularly by the farmers. Among these eight reasons, Principal Component Analysis (PCA) is being carried out to find out the principal variable (reasons), for the non-repayment of loan by the farmers.

**Table 1: PCA to identify the reasons for non-repayment of loan by the farmers**

Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
Flood and drought	3.4091	1.99212	66
Poor rainfall	5.1818	2.09695	66
Poor harvest	3.5758	2.29421	66
low marketable surplus	3.9848	2.01145	66
Social obligations	2.7879	1.97301	66
Unforeseen emergencies and expenses	5.3030	1.33555	66
Political / govt. announcement regarding loan waiver	4.6061	1.77919	66
Others- low price, high cost of production, Marketing hurdles, low return	7.1515	1.59077	66
a. Only cases for which do not repay the loan regularly			

From the descriptive statistics we include only those who have not pay loan regularly

Communalities <sup>a</sup>		
	Initial	Extraction
Flood and drought	1.000	.642
poor rainfall	1.000	.948
poor harvest	1.000	.785
low marketable surplus	1.000	.788
Social obligation	1.000	.932
unforeseen emergencies and expenses	1.000	.550
political / govt announcement regarding loan waiver	1.000	.719
Others - low price, high cost of production, Marketing hurdles, low return	1.000	.595
Extraction Method: Principal Component Analysis.		
a. Only cases for which do not repay the loan regularly		

Component Matrix <sup>a,b</sup>			
	Component		
	1	2	3
Flood and drought	-.654	.224	.405
poor rainfall	-.729	-.396	-.510
poor harvest	-.223	.673	-.531
low marketable surplus	-.173	-.035	.870
Social obligation	.283	-.921	-.054
unforeseen emergencies and expenses	.560	.368	.318
Political/Govt. announcement regarding loan waiver	.804	-.243	-.118
Others - low price, high cost of production, Marketing hurdles, low return	.601	.421	-.237
Extraction Method: Principal Component Analysis.			
a. 3 components extracted.			
b. Only cases for which Do not repay the loan regularly			

The table 1 Component Matrix (PCA) reveals that the (I component political and Government announcement regarding loan waiver (0.80) and other reasons such as low price, high cost of production, Marketing hurdles, low return etc. (0.60) are the first reason for non-repayment of loan by the farmer, II component is poor harvest (0.67) and the final component is low marketable surplus (.87). These are the main reasons for non-repayment of loan by the farmers regularly to PACCS.

It may be concluded that the principal reasons (I component) for non-repayment of loan to the PACCS by the farmer are, political and Government announcement regarding loan waiver (0.80) and other reason such as low price, high cost of production, marketing hurdles, low return etc. (0.60), followed by the II component poor harvest (0.06) and III component low marketable surplus.

**Table 2: Respondents alternative option if the loan amount is inadequate from PACCS**

Alternative option	No. of Respondent	Percentage
Drop the agricultures activities	149	29.8
Try to get loan from private institutions	169	33.8
Try to get loan from commercial banks	90	18.0
Shifting agriculture to other employment	92	18.4
Total	500	100.0

The above Table 2 shows that Respondents alternative option if the loan amount is inadequate from PACCS. 29.8% respondents have stated that to drop the agriculture activities if the loan amount is inadequate for their agriculture operations, 33.8% respondents have stated that they try to get loan from private institutions as

an additional loan. 18% respondents would avail loan from commercial banks and 18.4% respondents are shifting from agriculture to other employment. It is concluded that Majority 33.8% of the respondents are stated that they try to get loan from private institutions as an additional loan to meet the deficit money.

**Table 3: Loan requirement for various Type of Crops and loan adequacy (PACCS credit limit)**

Group Statistics					
	Loan amount adequate for the purpose	N	Mean	Std. Deviation	Std. Error Mean
Paddy (Credit gap)	Yes	323	5.5913	1.31647	.07325
	No	175	5.7943	.76035	.05748
Plantain (Credit gap)	Yes	323	12.0000	.00000 <sup>a</sup>	.00000
	No	175	12.0000	.00000 <sup>a</sup>	.00000
Groundnut (Credit gap)	Yes	321	5.5327	1.08959	.06082
	No	175	5.7943	.76035	.05748
Sugarcane (Credit gap)	Yes	321	12.0000	.00000	.00000
	No	175	11.7943	1.34889	.10197
Cotton (Credit gap)	Yes	321	5.5327	1.08959	.06082
	No	175	5.7943	.76035	.05748
Others (Credit gap)	Yes	50	3.0000	.00000 <sup>a</sup>	.00000
	No	12	3.0000	.00000 <sup>a</sup>	.00000

a. t cannot be computed because the standard deviations of both groups are 0.

**Hypothesis:**

**H0: There is no significant difference between types of crop and the loan amount adequacy for the purpose.**

**H1: There is significant difference between types of crop and the loan amount adequacy for the purpose.**

	Levene's Test for Equality of Variances		Z -test for Equality of Means						
	F	Sig.	Z	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Paddy (Credit gap)	23.259	.000	-1.876	496	.061	-.20295	.10816	-.41547	.00956
Groundnut (Credit gap)	36.133	.000	-2.823	494	.005	-.26158	.09267	-.44366	-.07949
Sugarcane (Credit gap)	31.364	.000	2.735	494	.006	.20571	.07522	.05792	.35351
Cotton (Credit gap)	36.133	.000	-2.823	494	.005	-.26158	.09267	-.44366	-.07949

Significant ( $P \leq 0.05$ ), Not Significant ( $P \geq 0.05$ )

The table 3, Z-test reveals that there is significance difference between the loan requirement for groundnuts, sugarcane and cotton and the loan amount adequacy (PACCS credit limit) since the p value is less than the level of significant ( $0.005 < 0.05$ ,  $0.006 < 0.05$ ,  $0.005 < 0.05$ ). On the other hand, there is no significant difference between loan requirement for paddy and

PACCS credit limit since the p value is greater than the level of significance ( $0.061 > 0.05$ ).

It may concluded that there is significant difference between types of crop (paddy, groundnuts, sugarcane and cotton) and the loan amount adequacy for the purpose i.e. loan requirement is more than the PACCS credit limit.

Table 4: Loan Requirements for types of farmers and PACCS Credit limit

Group Statistics					
	Type of Farmers	N	Mean	Std. Deviation	Std. Error Mean
Plantain (Loan Requirements)	Marginal Farmer	156	48058.00	12926.58695	1034.95525
	Small Farmer	243	55588.00	9703.63477	622.48846
Paddy(Loan Requirements)	Marginal Farmer	156	28051.00	4298.22900	344.13374
	Small Farmer	243	30099.00	4024.52689	258.17352
Groundnut(Loan Requirements)	Marginal Farmer	154	28825.00	7356.58801	592.81076
	Small Farmer	243	31996.00	5830.59609	374.03291
Sugarcane(Loan Requirements)	Marginal Farmer	154	54929.00	5073.45668	408.83079
	Small Farmer	243	58148.00	6452.19761	413.90867
Cotton(Loan Requirements)	Marginal Farmer	154	26221.00	9858.63926	794.43179
	Small Farmer	243	31202.00	8753.53986	561.53984
Others (Loan Requirements)	Marginal Farmer	46	10000.00	.00000 <sup>a</sup>	.00000
	Small Farmer	16	10000.00	.00000 <sup>a</sup>	.00000

Hypothesis:

H0: There is no significant different between type of farmers and loan required.

H1: There is significant different between type of farmers and loan required.

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Plantain (Loan Requirements)	Equal variances assumed	36.247	.000	-6.628	397	.000	-7530.78506	1136.13909	-9764.38613	-5297.18398
	Equal variances not assumed			-6.235	265.201	.000	-7530.78506	1207.73518	-9908.75457	-5152.81555
Paddy(Loan Requirements)	Equal variances assumed	1.006	.316	-4.828	397	.000	-2047.48338	424.07600	-2881.19873	-1213.76803
	Equal variances not assumed			-4.759	314.720	.000	-2047.48338	430.21111	-2893.93676	-1201.03000
Groundnut(Loan Requirements)	Equal variances assumed	4.904	.027	-4.763	395	.000	-3171.20945	665.84130	-4480.24537	-1862.17352

ments)	Equal variances not assumed			-4.524	271.829	.000	-3171.20945	700.94594	-4551.18233	-1791.23657
Sugarcane(Loan Requirements)	Equal variances assumed	24.462	.000	-5.248	395	.000	-3219.57672	613.47508	-4425.66128	-2013.49216
	Equal variances not assumed			-5.534	376.986	.000	-3219.57672	581.77573	-4363.50874	-2075.64470
Cotton(Loan Requirements)	Equal variances assumed	6.496	.011	-5.258	395	.000	-4980.86687	947.31612	-6843.27886	-3118.45488
	Equal variances not assumed			-5.120	297.178	.000	-4980.86687	972.85604	-6895.42682	-3066.30691

Significant (P<0.05), Not Significant (P≥0.05)

There is significant difference between type of farmers and loan requirements because the p-value is less than the level of significant (p<0.05) .

The above table 4, T-test reveals that there is significance difference between the loan requirement for Paddy, Groundnuts, Sugarcane and Cotton and the loan amount adequacy (PACCS credit limit) since the p value is less than the level of significant. (p<0.05). It may

concluded that there is significant difference between types of farmers (marginal and small) and the types of crops (paddy, groundnuts, sugarcane and cotton) are loan required.

**Table 5: Opinion of farmers towards financial and other Assistance provided by the PACCS.**

Component Matrix								
Statements	Component							
	1	2	3	4	5	6	7	8
PACCS adopts unnecessary procedure in sanctioning loan to farmers	-.114	.303	.300	.049	.742	-.039	-.145	-.120
Govt. support to agriculture sector is very poor	-.404	.016	-.487	.002	-.348	.308	.461	-.012
Role of cooperative societies in the development of agriculture is not encouraging one.	.631	.067	.195	.384	.022	.100	-.015	.368
No Awareness among farmers towards of various loan schemes offered by PACCS	-.511	.343	.038	-.253	-.158	-.462	.255	.152
Illiteracy of farmers affect the cost- benefit of loan through Banks	.519	-.174	-.013	.254	-.098	.643	-.186	-.026
No specific system exists PACCS in sanctioning loan to farmers like other Business.	-.417	.434	-.114	.018	.412	.145	-.098	.242
Subsidy and waiver of loan affect the farmers who are honestly repaying the loan.	.672	-.371	.206	.087	-.151	-.059	.349	-.008
Political Interventions affect the PACCS'S bank operations	.183	.625	.172	.175	-.207	-.242	-.133	.286
Only limited credit is sectioned to small and marginal farmers due to their Inability to producing suitable securities	-.282	-.404	-.174	.079	.419	.121	.497	.198
Inadequate service area plan of PACCS affect the rural finance	.425	.503	.136	-.210	-.377	-.240	.008	-.070

PACCS is acting as an agent of government and the apex bank, Hence, it is not solving the problem of farmers.	-.307	.208	.002	.745	-.056	-.055	.155	.155
Cooperative farming is not encouraged by the Govt. and as a result cost of production increases	.080	.250	.204	-.653	.098	.529	.027	.053
The loan sanction by PACCS is only based on the influence of politician / rich people who are residing in the PACCS's area.	-.071	-.642	-.014	.263	.071	-.380	-.129	-.038
Big farmers is also available the benefits of small and marginal farmer by bifurcating land in the name of other family members.	.462	.518	.021	.170	.101	.012	.422	-.157
PACCS loan scheme and the practical situation in farmers side is mismatching, hence the beneficiary are not benefited under PACCS.	-.554	-.063	.327	.361	-.202	.236	-.254	.274
PACSS finance support is inadequate for Agriculture operation	.511	.062	-.128	-.093	.538	-.129	.164	.294
Rule, procedures, and conditions imposed by the PACCS in sanctioning loan in discourage the farmers to obtain loan	-.400	.391	.464	.190	-.089	.353	.203	-.207
Because of PACCS ineffective in its financial assistance to the farmers, they Approached other Commercial and private financing for obtain loan.	.096	.052	-.501	-.228	-.186	.105	-.100	.637
PACCS are acting as an agent of Govt. to distribute numerous benefits to farmers, hence its service is satisfactory.	-.007	-.248	.782	-.047	-.059	-.017	.296	.275
Need more PACCS to Concentrate farmers needs	.223	.425	-.555	.439	.081	.022	.008	-.211
Extraction Method: Principal Component Analysis.								
a. 8 components extracted.								

<b>Rotated Component Matrix</b>								
	Component							
	1	2	3	4	5	6	7	8
PACCS adopts unnecessary procedure in sanctioning loan to farmers	-.085	.075	-.084	.140	.048	-.035	<b>.822</b>	-.257
Govt. support to agriculture sector is very poor	-.217	-.076	-.390	.310	.206	-.278	-.635	.066
Role of cooperative societies in the development of agriculture is not encouraging one.	.551	.374	.264	-.077	.305	.219	.124	.242
No Awareness among farmers towards of various loan schemes offered by PACCS	-.839	-.045	.122	.109	.142	.099	-.069	.051
Illiteracy of farmers affect the cost- benefit of loan through Banks	<b>.885</b>	.012	.013	.131	.000	-.051	-.131	.033
No specific system exists PACCS in sanctioning loan to farmers like other Business.	-.251	-.165	-.165	.372	.276	-.229	.465	.185
Subsidy and waiver of loan affect the farmers who are honestly repaying the loan.	.402	.540	.052	-.269	-.119	.391	-.296	-.061
Political Interventions affect the PACCS'S bank operations	-.113	.136	.665	.111	.382	.012	.144	.181
Only limited credit is sectioned to small and marginal farmers due to their Inability to producing suitable securities	-.108	.159	-.822	-.043	.134	.122	.013	.096



Inadequate service area plan of PACCS affect the rural finance	-.104	.314	<b>.729</b>	.165	-.109	.012	-.145	-.007
PACCS is acting as an agent of government and the apex bank, Hence, it is not solving the problem of farmers.	-.062	-.042	-.054	-.122	<b>.838</b>	-.111	-.005	-.094
Cooperative farming is not encouraged by the Govt. and as a result cost of production increases	.083	-.017	.016	<b>.768</b>	-.421	.194	.106	.076
The loan sanction by PACCS is only based on the influence of politician / rich people who are residing in the PACCS's area.	.029	-.138	-.246	-.745	-.029	.120	.002	-.051
Big farmers is also available the benefits of small and marginal farmer by bifurcating land in the name of other family members.	.081	<b>.700</b>	.231	.270	.206	-.150	.028	-.187
PACCS loan scheme and the practical situation in farmers side is mismatching, hence the beneficiary are not benefited under PACCS.	.048	-.667	-.049	.046	.515	.256	.031	-.027
PACSS finance support is inadequate for Agriculture operation	.109	.620	-.100	-.035	-.125	.017	.391	.364
Rule, procedures, and conditions imposed by the PACCS in sanctioning loan in discourage the farmers to obtain loan	-.077	-.187	.032	.517	.419	.146	.020	-.525
Because of PACCS ineffective in its financial assistance to the farmers, they Approached other Commercial and private financing for obtain loan.	-.001	-.042	.018	.137	-.027	-.125	-.199	<b>.837</b>
PACCS are acting as an agent of Govt. to distribute numerous benefits to farmers, hence its service is satisfactory.	-.001	.046	-.024	.027	.118	<b>.896</b>	.021	-.147
Need more PACCS to Concentrate farmers needs	.145	.316	.107	-.004	.303	-.748	-.001	.001
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 16 iterations.								

## INFERENCE

The above table 5 describes the opinion of the farmers towards financial and other assistance provided by the PACCS. There are 20 factors taken for the study. These 20 factors have been condensed into 8 components. The "Illiteracy of farmers affect the cost- benefit of loan through Banks" is the first component, because its value is (0.88). The second component is, "Big farmers is also available the benefits of small and marginal farmer by bifurcating land in the name of other family members" is second component its value is (0.70). The third component is "Inadequate service area plan of PACCS affect the rural finance" its value is (0.72). The fourth component is "Cooperative farming is not encouraged by the Govt. and as a result cost of production increases" (score) (0.76). The fifth component is "PACCS is acting as an agent of government and the apex bank, hence, it is not solving the problem of farmers" (score 0.83). The sixth

component is "PACCS are acting as an agent of Govt. to distribute numerous benefits to farmers, hence its service is satisfactory" score (0.89). The seventh component is "PACCS adopts unnecessary procedure in sanctioning loan to farmers" score (0.82). The eighth component is "Because of PACCS ineffective in its financial assistance to the farmers, they approached other Commercial and private financing for obtain loan" score (0.84). It may be concluded that the major components such as , Illiteracy of farmers affect the cost- benefit of loan through Banks, Big farmers is also available the benefits of small and marginal farmer by bifurcating land in the name of other family members, Inadequate service area plan of PACCS affect the rural finance, Cooperative farming is not encouraged by the Govt. and as a result cost of production increases, PACCS is acting as an agent of government and the apex bank, hence, it is not solving the problem of farmers, PACCS are acting as an agent of Govt. to distribute

numerous benefits to farmers, hence its service is satisfactory, PACCS adopts unnecessary procedure in sanctioning loan to farmers and Because of PACCS ineffective in its financial assistance to the farmers, they approached other Commercial and private financing for obtain loan, are contributing as the major factors towards in the financial and the other assistance provided by the PACCS to the farmers.

## FINDINGS

- There is significant difference between types of crop (paddy, groundnuts, sugarcane and cotton) and the loan amount adequacy for the purpose i.e. loan requirement is more than the PACCS credit limit.
- Majority 33.8% of the respondents are stated that they try to get loan from private institutions as an additional loan to meet the deficit money.
- The principal reasons (I component) for non-repayment of loan to the PACCS by the farmer are, political and Government announcement regarding loan waiver (score 0.80) and other reason such as low price, high cost of production, marketing hurdles, low return etc. (score 0.60), followed by the II component poor harvest (score 0.67) and III component low marketable surplus (score 0.87).
- There is significant difference between Type of farmers (Small, Marginal, Big farmer) and the reason for selection of specific sources of finance ie. only the “Simple procedure to avail loan”, “convenient loan repayment terms”, “loan available in short period” and “no document required” are important reason selection of finance.
- The major components such as , Illiteracy of farmers affect the cost- benefit of loan through Banks, Big farmers is also available the benefits of small and marginal farmer by bifurcating land in the name of other family members, Inadequate service area plan of PACCS affect the rural finance, Cooperative farming is not encouraged by the Govt. and as a result cost of production increases, PACCS is acting as an agent of government and the apex bank, hence, it is not solving the problem of farmers, PACCS are acting as an agent of Govt to distribute numerous benefits to farmers, hence its service is satisfactory, PACCS adopts unnecessary procedure in sanctioning loan to farmers and Because of PACCS ineffective in its financial assistance to the farmers, they approached other Commercial and private financing for obtain loan, are contributing as the major factors towards in the financial

and the other assistance provided by the PACCS to the farmers.

## RECOMMENDATIONS

### Relaxation of Loan Norms

The study reveals that the small, marginal and big farmers have associated with alternative option of loan if loan amount is inadequate for their agriculture operation. Their alternative loan options are dropping their agriculture activities, try to get loan from private agencies, get loan from commercial banks (or) shifting to other employment. It shows that the role of PACCS in providing finance to farmers to farmers is not upto farmers requirements, hence the credit gap is widening. Hence, it is recommended to the concern authority of PACCS to provide adequate credit to farmers at a moderate interest by relaxing stiff credit limit norms. It would retain the farmers in agriculture industries rather than shifting to other business.

### Incentives to the Honest Payment

It was observed from the principal component analysis towards the reasons for non repayment of loan by the farmers, among the various reasons for non repayment loan by the farmers, it was observed, the farmers are seeking the political and Government announcement regarding loan waiver, even the farmers have capacity to repay the loan. In addition, the poor harvest and less income is also the reasons for the non repayment of loan. Hence, it is recommended to the Govt., the loan waiver and other discounts etc., be given to real affected farmers rather than all farmers in general. Further, the unwanted announcement by the politician and Govt., regarding loan waiver may leads all the farmers become willful defaulters.

### Need Quality Improvement in the Functional Areas of PACCS

The opinion of the farmers towards financial other assistance provided by PACCS have been analysed in the study. The illiteracy of the farmers, the big farmers are benefits more in the cost of small and marginal farmers, the PACCS's inadequate area plan, unwanted procedure for obtaining loan from PACCS etc. are the primary factors which would affects the farmer's agriculture credit requirement. Hence, its recommended to the Govt., to take appropriate measure to improve the functional area of PACCS to fulfill the needs of the farmers.

## CONCLUSION

In India, the PACCS are playing key role in providing agriculture credit and others supports to farmers at the village level. It is fulfilling the motto of cooperation as empowering the rural farmers and weaker section of the societies. Many studies have revealed that the flow of credit and agriculture supports to the farmers in terms of financial inadequacy in continuing. It is well known fact that the PACCS is suffering from poor financial viability and mounted over dues. But, in the farmers perception towards the functions and performance of PACCS, in the practical point of view, is not able to satisfy the needs of the farmers due to its various operational and structural deficiencies. Hence, to make effective financial and non-financial support to the farmers, the PACCS should be

observed new technology, avoidance of political interference, effective leadership and management etc. would be achieved only through reorientation of the cooperative structure as need based.

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